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Message Text

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64
ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 COME-00 TRSE-00 OPIC-03 XMB-02

AGRE-00 AID-05 EB-07 OMB-01 CIAE-00 DODE-00 PM-04

H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02

SS-15 USIA-06 DHA-02 /087 W
---------- 074999
R 151345Z OCT 76
FM AMEMBASSY KINSHASA
TO SECSTATE WASHDC 057
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS

C O N F I D E N T I A L KINSHASA 8645

DEPT PASS COMMERCE, TREASURY, OPIC, EXIM, USDA/ERS

E.O. 11652: GDS 12/31/82
TAGS: ECON, EINV, EFIN, CG
SUBJECT: ADDITIONAL DEVELOPMENTS AND COMMENTS CONCERNING RETURN OF NATIONALIZED PROPERTY

REF: (A) KINSHASA 7878; (B) KINSHASA 8308 (NOTAL); (C) KIN 8420

1. SUMMARY: PUBLISHED ACCOUNT OF PRESIDENCY DIRECTOR BISENGIMANA'S MEETING WAS NOT AS FORTHCOMING REGARDING RETURN OF SMALL BUSINESSES, FARMS, RANCHES, AND PLANTATIONS AS OBSERVERS REPORTED BISENGIMANA HAD ACTUALLY BEEN IN OCTOBER 1 MEETING. NEVERTHELESS, WE EXPECT SIGNIFICANT RETURN OF SUCH BUSINESSES TO FORMER OWNERS. DISMISSAL OF MOBUTU'S UNCLE LITHO AS DELEGATE GENERAL OF LARGE BREWERY WIDELY HAILED AS INDICATION THAT GOZ IS INDEED SERIOUS IN ITS DESIRE TO ATTRACT NEW FOREIGN PRIVATE INVESTMENT. RETURN OF 60 PER CENT EQUITY AND FREEDOM AS TO CHOICE OF ZAIRIAN OWNERS OF REMAINING 40 PER CENT GREATLY REDUCES AMOUNT OF COMPENSATION CLAIMS AGAINST GOZ. DISMISSAL OF
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DELEGATES GENERAL MEANS IMMEDIATE FINANCIAL LOSS FOR FAIRLY

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LARGE ZAIRIAN GROUP. POSSIBILITY EXISTS THAT FOREIGNERS WILL TURN TO LIMITED NUMBER OF WELL-CONNECTED AND/OR INFLUENTIAL ZAIRIANS AS OWNERS OF 40 PER CENT RESERVED FOR ZAIRIANS. IT THUS LIKELY THAT ZAIRIAN "FAT CATS" WILL BE REDUCED IN NUMBER BUT BY NO MEANS ELIMINATED.
END SUMMARY.

2. REF (C) QUOTE BISENGIMANA AS SAYING DURING HIS OCT 1 CONFERENCE THAT AGRO-INDUSTRIAL FIRMS WERE INCLUDED UNDER THE NEW MEASURE. HOWEVER, IN THE SUBSEQUENTLY PUBLISHED ANEZA ACCOUNT (COPY BEING POUCHED) OF THE MEETING THIS POINT WAS IN PART LEFT OPEN TO QUESTION. ACCORDING TO THE PUBLISHED ACCOUNT, BISENGIMANA, IN REFERENCE TO SMALL BUSINESSES, FARMS, RANCHES AND PLANTATIONS, SAID THAT IN PRINCIPLE THESE ACTIVITIES WILL REMAIN AT THE DISPOSITION OF THE ZAIRIAN PURCHASER BUT ON CONDITION THAT THE VALUE OF THE PROPERTY IS PAID TO THE STATE, WHICH IN TURN WILL COMPENSATE THE FORMER OWNER. ZAIRIANS AND FOREIGNERS ARE, HOWEVER, EQUALLY PERMITTED TO ASSOCIATE IN THIS SECTOR OF ACTIVITIES.

3. THIS WOULD LIKELY PREVENT A BLANKET RETURN OF FORMERLY FOREIGN-OWNED PLANTATIONS TO THEIR FORMER OWNERS. (THE PRESIDENT AS WELL AS A NUMBER OF OTHER HIGH-RANKING GOZ FIGURES WOULD BE AFFECTED.) NEVERTHELESS, THERE ARE A LARGE NUMBER OF PLANTATIONS WHICH WERE MISUSED AND NEGLECTED IN THE INTERIM AND THUS BY THE ORIGINAL MEASURES OF THE STABILIZATION COMMITTEE ARE, IN FACT, RETURNABLE.

4. DURING THE ZAIRIANIZATION PERIOD MANY PLANTATIONS WERE ABANDONED. THESE CERTAINLY WILL BE RETURNABLE. SOME FEW WERE WELL RUN, OFTEN WITH THE SAME EXPATRIATE STAFF. THESE WILL PROBABLY BE EXCEPTED. THERE IS, HOWEVER, A LARGE GREY AREA WHERE THE ACQUIRING ZAIRIAN SOUGHT TO EXPLOIT THE PRODUCTION OF THE PLANTATION WITH LESS THAN ADEQUATE EFFORT AND MINIMAL OR NO INVESTMENT IN THE FACILITY. IT IS THIS AREA WHERE THE DIFFICULTIES ARE EXPECTED. THEREFORE, WHILE MANY FOREIGNERS ARE LIKELY TO GET THEIR PROPERTIES BACK, IT WILL NOT BE AN ACROSS-THE-BOARD PROPOSITION. INTERESTINGLY ENOUGH, HOWEVER, BISENGIMANA'S STATEMENT INDICATED THAT THOSE NOT GETTING THEIR PROPERTIES RETURNED MAY NOW HAVE SOME FIRMER ASSURANCE THAT THEY WILL BE CONFIDENTIAL

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COMPENSATED FOR THEM.

5. AS REPORTED IN REF (C) BISENGIMANA STATED THAT ALL DELEGATES GENERAL WERE REMOVED. YET IT CAME AS A PLEASANT SURPRISE WHEN MOBUTU'S UNCLE LITHO, WIDELY REGARDED AS EXTREMELY CORRUPT AND INEFFICIENT, WAS ACTUALLY REMOVED AS DELEGATE GENERAL OF BRALIMA, ZAIRE'S LARGEST BREWERY. UNDOUBTEDLY, THE GOZ WAS AWARE OF THE EFFECT THAT SUCH REMOVAL WOULD HAVE UPON THE PRIVATE

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BUSINESS COMMUNITY AS THIS REMOVAL WAS SPECIFICALLY MENTIONED BY BISENGIMANA TO THE AMBASSADOR. INDEED, THIS REMOVAL HAS BEEN WIDELY HAILED BY PRIVATE FOREIGN BUSINESS SECTOR AS ENCOURAGING SIGN THAT GOZ IS SERIOUS IN ITS DESIRE TO ATTRACT NEW FOREIGN INVESTMENT AND TO ENCOURAGE PREVIOUSLY NATIONALIZED FOREIGN BUSINESSMEN TO RETURN TO ZAIRE.

6. REF (C) INDICATED THAT THERE ARE STILL QUESTIONS AS TO DISPOSITION OF 40 PER CENT EQUITY RESERVED FOR ZAIRIAN OWNER-SHIP. AS FOREIGNERS HAVE FREEDOM TO CHOOSE ZAIRIAN PARTNER, PRESUMABLY NEW ZAIRIAN OWNERS WILL MAKE PAYMENT FOR THEIR SHARES AND THUS EFFECTIVELY RESOLVE MAJOR COMPENSATION CLAIMS. OF COURSE, COMPENSATION CLAIMS WILL STILL ARISE FOR ASSETS WHICH WERE DISSIPATED DURING PERIOD OF NATIONALIZATION, BUT NEW MEASURE GREATLY REDUCES AMOUNT OF COMPENSATION CLAIMS. BELGIAN ECONOMIC OFFICER ESTIMATED TO EMBOFF THAT OUTSTANDING BELGIAN CLAIMS PRIOR TO NEW MEASURE WERE APPROXIMATELY $500 MILLION.

7. DISMISSAL OF DELEGATES GENERAL ELIMINATES LUCRATIVE POSITIONS FOR CONSIDERABLE NUMBER OF ZAIRIANS. DELEGATES GENERAL WERE NOT POPULAR PRIMARILY DUE TO THEIR CONSPICUOUS SPENDING AND THEIR REMOVAL IS BOUND TO BE POPULAR WITH ZAIRIAN MASSES. HOWEVER, POSSIBILITY EXISTS THAT FOREIGNERS WILL TURN TO A RELATIVELY FEW WELL-CONNECTED AND/OR INFLUENTIAL ZAIRIANS IN CHOOSING OWNERS OF 40 PER CENT EQUITY RESERVED FOR ZAIRIANS. THUS, WHILE SIZE OF ZAIRIAN "FAT CAT" POPULATION MAY BE REDUCED, THERE IS POSSIBILITY THAT SMALLER BUT EVEN RICHER CLASS OF ZAIRIANS MAY BE CREATED WITH CONSEQUENT RESENTMENT AMONG MASSES IF WEALTH OF THESE NEW OWNERS BECOMES TOO CONSPICUOUS. AS WAS POINTED OUT IN REF (C), POSSIBILITY ALSO EXISTS THAT RESENTMENT MAY DEVELOP AGAINST FOREIGNERS AS WELL IF THEIR RETURN IF EFFECTED IN TOO PRONOUNCED OR OBVIOUS WAYS.
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